

Sales Tax on Food

Prepared for:
Utah Tax Review Commission
October 8, 2009

Sales Tax on Food Rate Reduction History

- HB 109 (2006 General Session)
 - Beginning January 2007, state rate on food reduced from 4.75% to 2.75%
 - Fiscal note - Full year estimated impact of \$70 million (FY 2008)
- SB 223 (2007 General Session)
 - Beginning January 2008, state rate on food reduced from 2.75% to 1.75%
 - Food removed from base for local option sales taxes other than 1.0% local and 0.25% county
 - Fiscal note - Full year estimated impact of \$40.4 million (FY 2009)

NOTE: Throughout the presentation, the term “sales tax on food” is used in place of sales and use tax on food and food ingredients, as defined in statute

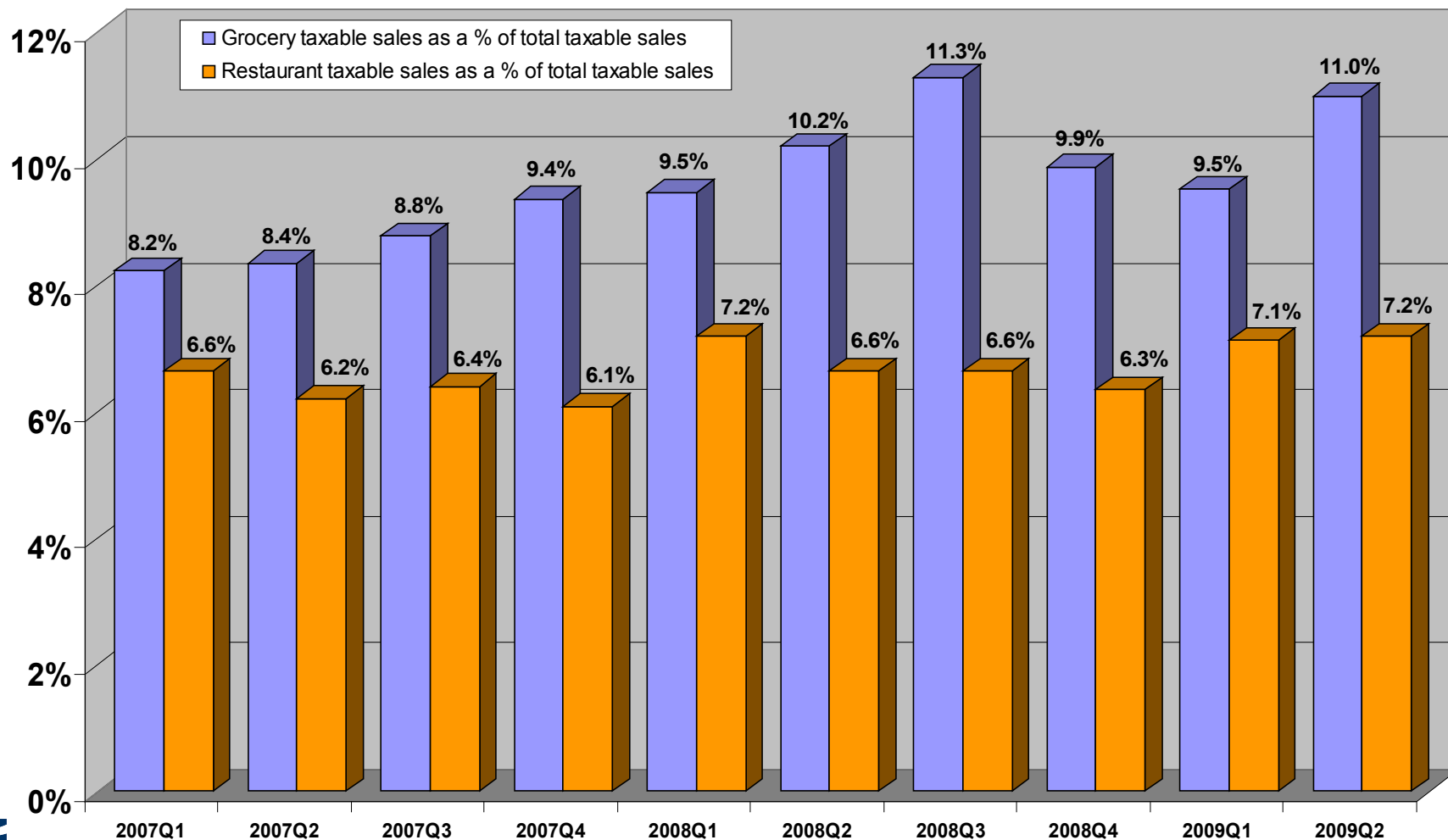
Food Taxable Sales

2007Q1 to 2009Q2



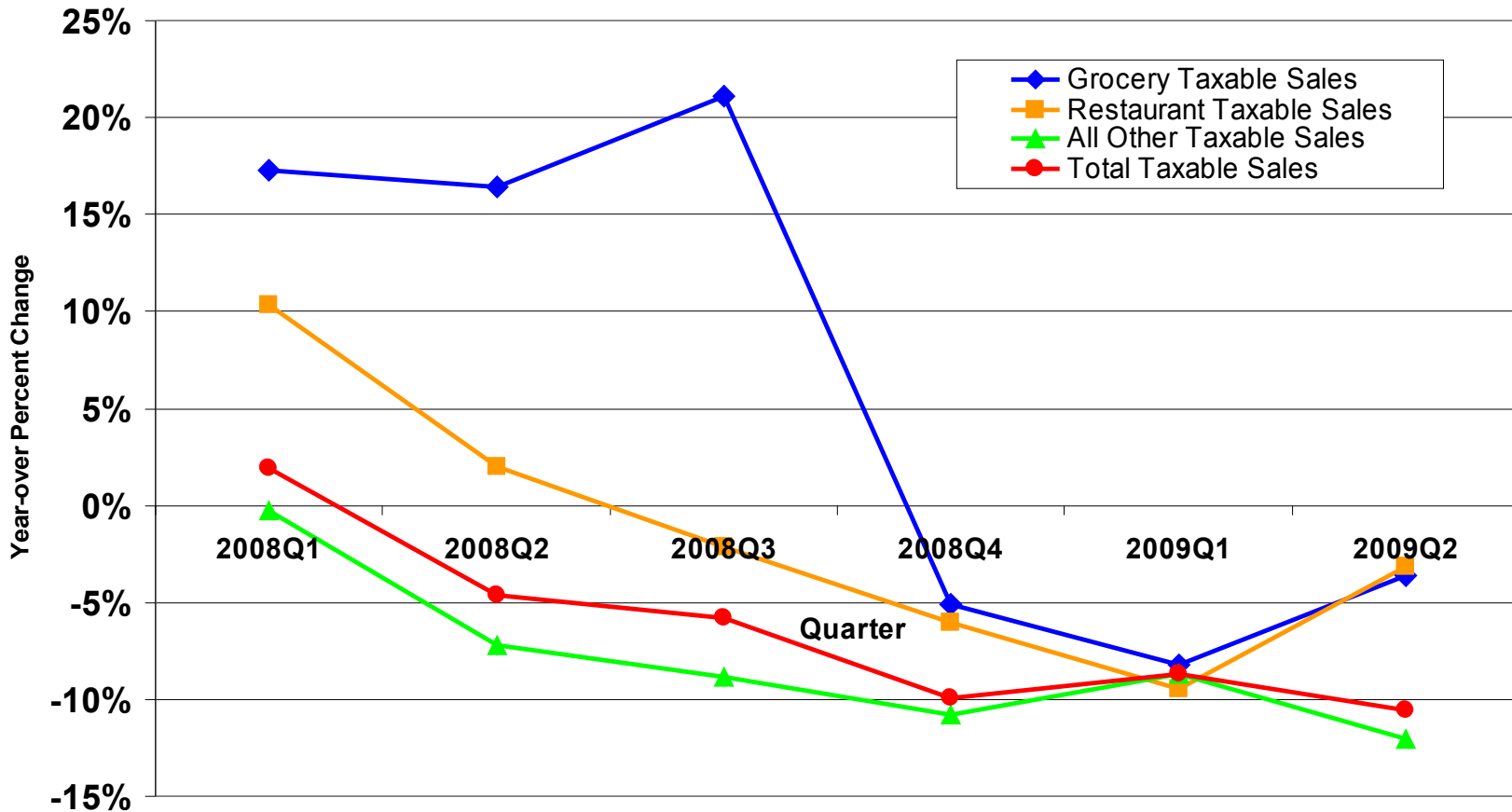
Food % of Sales Tax Base

2007Q1 to 2009Q2



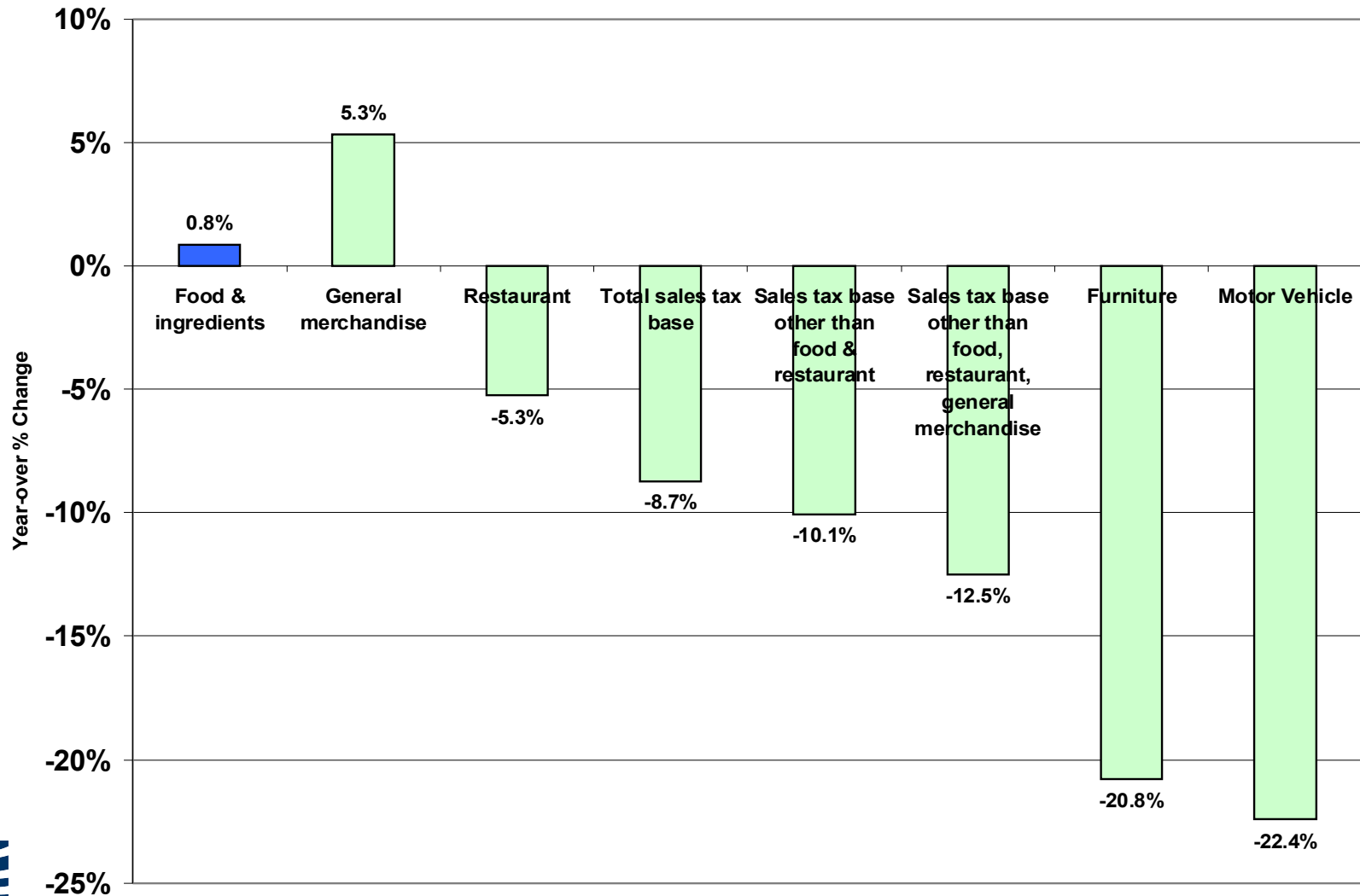
Year-Over % Change in Sales Tax Base

Quarterly from 2008Q1 to 2009Q2



Year-Over % Change in Sales Tax Base

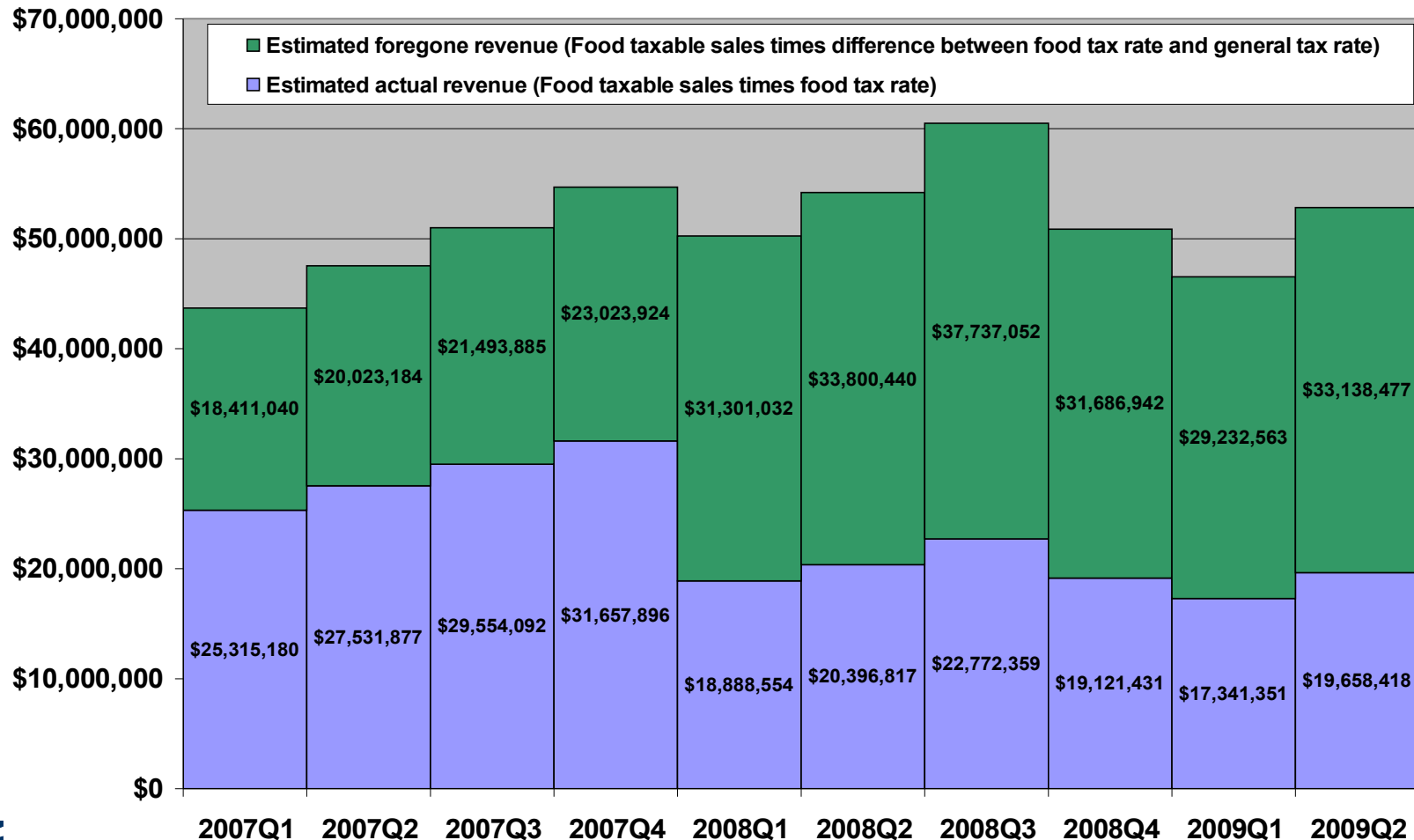
Selected Sectors, FY 2008 to FY 2009



Why Do Food Taxable Sales Vary?

- Economic conditions
 - Food prices
 - Income changes
 - Substitution
 - Food brand or type
 - Food store
 - Food quantity purchased
 - Population changes
- Administrative issues
 - Reporting accuracy
 - Late payments

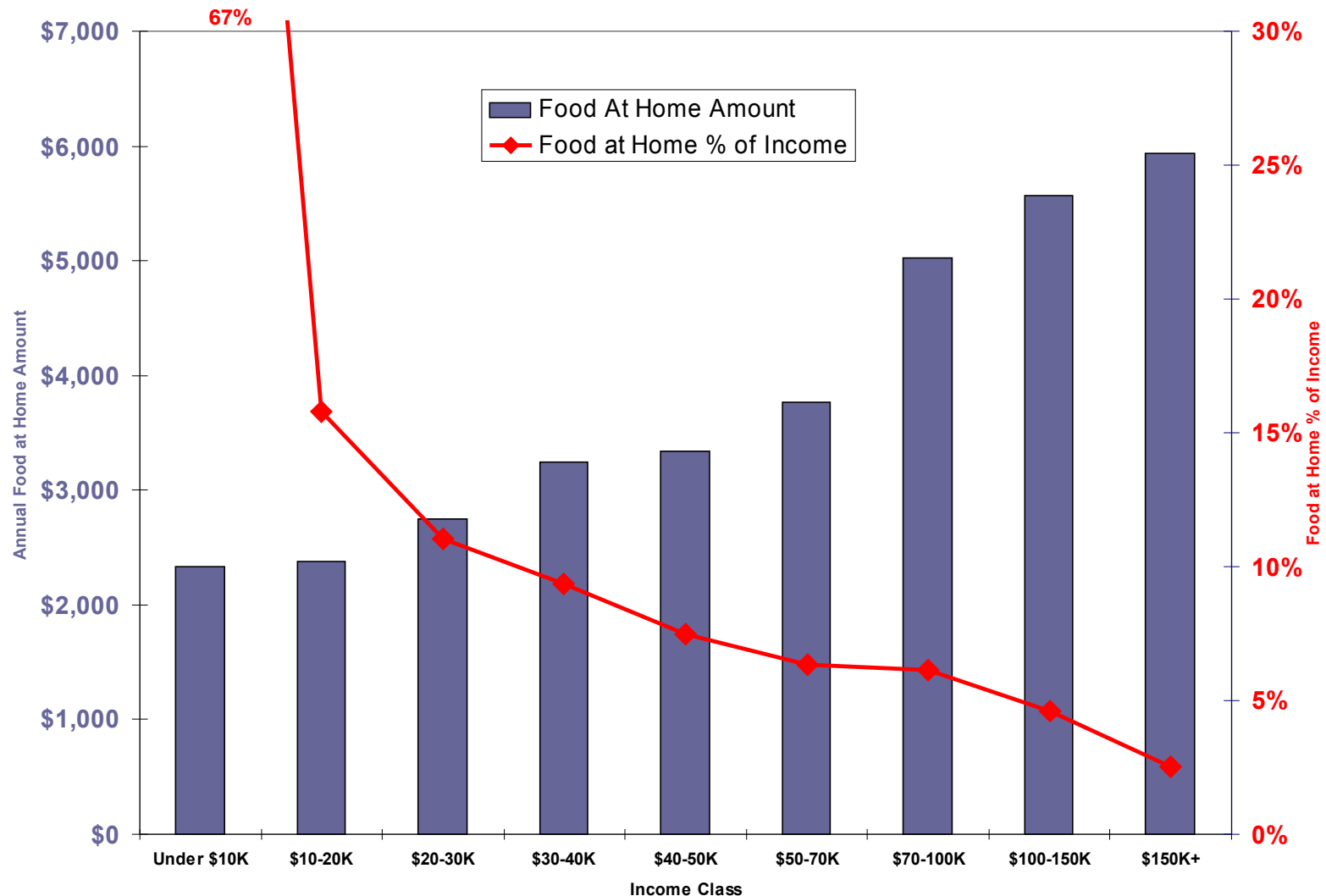
Estimated Historical Revenue Impacts



NOTE: Estimated revenue amounts exclude impacts from earmarked revenue, collection costs, seller discounts, etc.

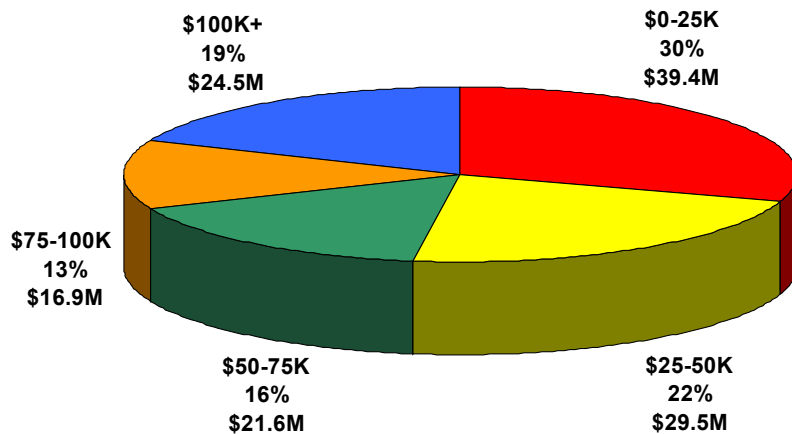
Data Source: Utah State Tax Commission, calculations by OLRGC

“Food at Home” Expenditures by Income Class

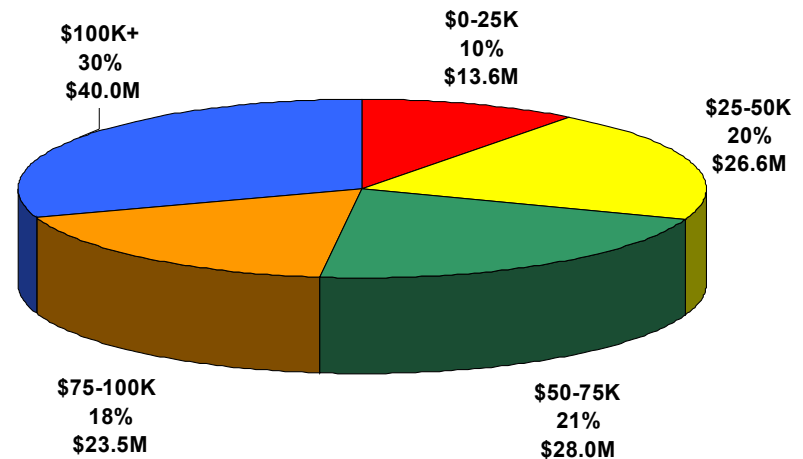


Estimated Distribution of Benefits from Sales Tax on Food Reductions

Estimates Using Tax Return Data



Estimates Using Census Data



- Both sets of estimates use federal BLS Consumer Expenditure Survey data. The BLS “food at home” expenditure estimates by income class are multiplied by the number of returns or households in each income class to derive a share for each income class. This share is then multiplied by estimated foregone revenue amounts for FY 2009. Neither estimate adjusts for non-taxable purchases (food stamps, WIC, etc.).
- Differences between the estimates may be due to different definitions of income, the unit examined (tax return v. household), different data years, and population coverage (estimates using tax returns do not account for non-filers, Census estimates based on survey data)